DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 23, 2008

POSITION: Oppose

May 23, 2008

BILL NUMBER: AB 2910

AUTHOR: J. Huffman

BILL SUMMARY: Health Care Service Plans

This bill would require the Department of Managed Health Care (DMHC), when exempting a health plan from a statutory or regulatory requirement, to: provide notice to every person who has filed a request for notice of regulatory action with DMHC that a waiver or exemption has been requested, provide the rationale for the proposed exemption and its practical effect, notify and consult interested parties, including the Legislature, 45 days in advance of taking action on a waiver request, post information about the exemption request on DMHC's website, and notify the Legislature and the public of the reasons an exemption or waiver has been approved.

FISCAL SUMMARY

DMHC estimates ongoing costs of \$1.3 million for this bill. These costs include holding hearings, providing notice and comment periods, and drafting information on the exemption and waiver requests for stakeholders. Costs are also attributable to the need for additional staff review and processing of routine waivers by the Provider Solvency Unit, as well as increased enforcement actions when exemptions or waivers are not approved.

COMMENTS

Finance opposes this bill because it would limit DMHC's flexibility in administering the Knox-Keene Act by imposing a public review process for routine exemptions and waivers. DMHC indicates that most exemptions have been of limited application or were applicable to a defined class of persons, and that the exemptions have not negatively impacted the protection of health plan enrollees. In requiring DMHC to use a more extensive review process to approve exemptions and waivers, this bill also creates significant new costs to DMHC which are ultimately born by health plans through the payment of annual assessments.

Analyst/Principal (0741) E. Harper	Date	Program Budget Manager Mark Hill	Date	
Department Deputy Di	irector	Date		
Governor's Office: By:		Date:	Position Approved	
	•		Position Disapproved	
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)	

Form DF-43
BILL NUMBER

J. Huffman May 23, 2008 AB 2910

ANALYSIS

A. Programmatic Analysis

Existing law:

- Establishes the Department of Managed Health Care (DMHC) for regulation and licensure of health care service plans.
- Requires health plans, through the Knox-Keene Act, to provide a basic level of necessary medical care, including hospital, emergency and physician office visits, as well as several mandated coverage requirements.
- Authorizes DMHC to approve exemptions or waivers from Knox-Keene Act requirements, as well
 as DMHC regulations, if it is determined to be in the public interest and not detrimental to the
 protection of health plan enrollees. Public notification is not required upon application for a KnoxKeene exemption.

This bill would require DMHC, when considering exemptions or waivers, to:

- Provide notice to every person who has filed a request for notice of regulatory action with DMHC that a waiver or exemption has been requested,
- Provide the rationale for the proposed exemption and its practical effect, notify and consult
 interested parties, including the Legislature, 45 days in advance of taking action on a waiver
 request, involve interested parties and post information about the exemption request on DMHC's
 website, and
- Notify the Legislature directly and the public through the DMHC website of the reasons an exemption or waiver has been approved.

Discussion: DMHC is authorized to grant exemptions from Knox-Keene Act provisions and waive rules or forms adopted by DMHC for health plans if the exemption or waiver is in the public interest and does not negatively impact health plan enrollees. This provides DMHC and health plans with the flexibility necessary to deal with unique situations. This bill would severely limit the flexibility of DMHC to provide these exemptions and waivers, and would subject exemptions and waivers to the regulatory review process. This would be a costly and cumbersome requirement, and it is unclear what benefit would be derived from this provision.

B. Fiscal Analysis

DMHC estimates ongoing costs of \$1.3 million for this bill. These costs include holding hearings, providing notice and comment periods, and drafting information on the exemption and waiver requests for stakeholders. Costs are also attributable to the need for additional staff review and processing of routine waivers by the Provider Solvency Unit, as well as increased enforcement actions when exemptions or waivers are not approved.

	SO	(Fiscal Impact by Fiscal Year)					
Code/Department	LA	(Dollars in Thousands)					
Agency or Revenue	CO	PROP				Fund	
Type	RV	98	FC	2008-2009 FC	2009-2010 FC	2010-2011 Code	
2400/MngedHltCare	SO	No	С	\$1,332 C	\$1,332 C	\$1,332 0933	

Fund Code Title

0933 Managed Care Fund